

# The Active Management of Distressed Debt

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## Abstract

When creditors face a default, many ways exist to manage the distressed debt actively and attempt to solve the financial distress. This paper discusses some alternatives in lights of the contingent claim analysis. We reconsider debt restructuring approaches as debt rescheduling and debt-equity swap. We discuss potential efforts from parties such as cash infusion from debtors and new financing from creditors. We also make a point on the liquidation that should be viewed as a process. Finally, we emphasize the need of a monitoring process beyond the default event.

Keywords: Debt Restructuring, Default, Liquidation, Monitoring, Recovery, Uncertainty, Viability.

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